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HEALTH INSURANCE FOR THE AGED

PROCEDURES FOR NOMINATING FISCAL INTERMEDIARIES FOR

- HOSPITALS
- EXTENDED CARE FACILITIES
- HOME HEALTH AGENCIES

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U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION

CIRCULAR SSA 9285 NOVEMBER 1965

Introduction

Under the hospital part of the Health Insurance for the Aged Program, hospitals, extended care facilities, and home health agencies; i.e., providers of services participating in the program, will be paid for the reasonable cost of covered services. Providers may have these payments determined and made either by a fiscal intermediary or directly by the Social Security Administration.

This circular explains how associations and groups of providers may nominate a fiscal intermediary for their membership, as well as what individual providers may do if they are not members of an association or group, or if they do not concur in the nomination of their association or group.

To be selected as a fiscal intermediary in the program, an organization must first be nominated by an association or group of providers and then the Social Security Administration must find that selection of the organization is consistent with effective and efficient administration.

The primary function of the fiscal intermediary will be to determine, under national reimbursement principles, the payments due providers for the reasonable cost of furnishing covered services and to make these payments. The reimbursement principles are now being developed in consultation with interested organizations and will subsequently be reviewed by the Health Insurance Benefits Advisory Council, as provided by law. Reimbursement

2. Nominations on behalf of hospitals and home health agencies should be made *before January 1, 1966,* if possible.

3. Nominations on behalf of extended care facilities should be made *before July 1, 1966,* if possible.

4. Nomination letters should fully identify the intermediary being nominated and include certain basic information about the group or association membership..

5. Nominations need not be binding on all members. However, the required notification to the Administration by a provider who does not wish to be bound by the nomination made on its behalf should not be submitted until it is advised that it is a participating provider and until it is informed of the approval of the intermediary nominated by its association or group. Earlier action may, of course, be taken by a member of an association or group, as well as by a provider who is not a member, where the provider wishes to join in group action with other providers for the purpose of making a nomination. Such a nomination should be submitted within the indicated time schedules, if possible.

6. Not all nominated intermediaries will necessarily be selected.

7. Although other functions may be assigned, the primary function of selected fiscal intermediaries will be to determine the reasonable costs of serv-

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will take into account the differences in actual operating costs among individual providers. Payments will reflect current costs as closely as possible and will be made at regular intervals of at least once a month. The same principles of reimbursement, and frequency of payment, as well as the basic procedures for day-to-day claims administration, will also be applied by the Social Security Administration in its dealings with those providers who prefer not to work through a fiscal intermediary.

Nominations Must Be Made by Associations or Groups

Nominations of fiscal intermediaries must be made by associations or groups of providers of services. Generally, nomination by an association or group will be considered a nomination on behalf of all of its members. However, associations or groups submitting nominations are being asked to indicate which members have expressly concurred in the nomination.

When the Social Security Administration has approved a nominated organization to serve as a fiscal intermediary, each participating provider of services will be informed of the approval of the nomination made on its behalf. At that point, any provider who wishes to do so may ask to be served by another approved fiscal intermediary or to deal directly with the Social Security Administration.

A section of this circular describes the actions which can be taken by an individual member if it does not wish to be served by the fiscal intermediary nominated by its association or group, as well as what an individual provider may do if it is not presently a member of an association or group.

Making the Nomination

An association or group of providers wishing to nominate a fiscal intermediary on behalf of its members may do so by letter. The letter should state its intent; i.e., to nominate an agency or organization to serve as fiscal intermediary for member providers of services for purposes of Section 1816(a) of the Social Security Act, as amended.

The letter of nomination should fully identify the desired fiscal intermediary. In addition, it should include, or furnish as an attachment, the name, address, and bed capacity of each member (or in the case of home health agencies, patient care capacity). It should also indicate those members which have expressed concurrence in the nomination. The letter may also contain any other information about the nominated organization that the provider association wishes to submit. The individual signing the letter should indicate his official relationship to the association or group making the nomination. The letter should be addressed to:

Social Security Administration
Bureau of Health Insurance
P.O. Box 1005
Baltimore, Maryland 21203

Timing of the Nomination

Since providers of services and fiscal intermediaries will need adequate time to make necessary arrangements and preparations, the Social Security Administration wishes to begin selecting fiscal intermediaries and contracting with them as soon as possible. Therefore, an association or group of hospitals or home health agencies intending to nominate a fiscal intermediary on behalf of its members should do so *before January 1, 1966*, if possible, since these services will be covered beginning July 1, 1966. Groups or associations of extended care facilities intending to nominate a fiscal intermediary on behalf of their members should do so *before July 1966*, if possible. The time schedule is different for extended care facilities, since payments for post-hospital extended care services do not begin until January 1, 1967.

Providers Who Do Not Belong to an Association or Who Do Not Concur With Their Association's Nomination

Providers who are not members of an association or group, or those who do not wish to be served by the fiscal intermediary nominated by their association or group, may have their payments determined and made by another approved fiscal intermediary, provided the intermediary agrees and the Administration finds that it is administratively effective for the provider to be served by the other fiscal intermediary. Or, if they prefer,

they may deal directly with the Social Security Administration.

If they wish, providers may form a group for the specific purpose of making a nomination. The Social Security Administration would then enter into an agreement with the nominated fiscal intermediary of such a group, but only if it found that, in terms of geographic continuity and the facilities provided, to do so would be consistent with efficient and effective administration.

A Nomination Need Not be Binding on Members

Although a nomination by an association or group will be considered a nomination on behalf of its entire membership, individual members are not bound by the nomination if they choose not to be. *Where the nomination of the association or group is acceptable to the member, no other action regarding the nomination will need to be taken by the member.* However, if the provider does not wish to be bound by the nomination of the association or group, the alternatives described in the preceding section are available to it.

Unless the non-concurring member wishes to join in a group action with other providers in order to make a nomination, it does not need to take any action until notified by the Social Security Administration of the fiscal intermediary approved for it and until after its own request to be a participating provider has been approved. At this point, if the provider does not wish to be served by the approved

fiscal intermediary, it must notify the Social Security Administration in writing that it wishes instead to deal with the Social Security Administration directly or with some other approved fiscal intermediary. The procedures for exercising these alternatives, either at that time or later, will be furnished when the provider is notified of the approval of the nomination made on its behalf.

Where more than one nomination has been made on behalf of a provider, that provider will be given the opportunity to identify which organization it prefers, if these nominees are subsequently approved. The provider may, of course, just as any other individual provider, elect instead to deal directly with the Social Security Administration or with any other approved intermediary, if the intermediary and Administration agree.

A Nomination Is Not Binding on the Social Security Administration

A nominated intermediary will be selected only if the Social Security Administration has determined that its selection would be consistent with the effective and efficient administration of the hospital insurance benefits program. Because the fiscal intermediary will be responsible for determining the amounts of payment due to providers and making such payments, as well as other aspects of claims administration, it will be necessary in making selections to consider such factors as the size, experience, and capability of the nominated organization in the payment of

claims for health services, and the number of providers and patient capacity in the group of providers making the nomination.

Under the law, an organization will be selected by the Administration only if it is also found willing and able to assist providers in the application of safeguards against unnecessary utilization of services and to furnish the Administration, as required, information developed in the administration of the program. In addition to these responsibilities, the Social Security Administration may assign certain other responsibilities to an intermediary. These may include (1) furnishing consultative services to providers to help them establish and maintain fiscal records and otherwise to qualify for participation in the program, (2) serving as a center of information and channel of communication between providers and the Administration, (3) making necessary audits of providers' records in order to insure that proper payments are made under the program.

The assignment of these additional responsibilities will be made by the Social Security Administration in its agreement with the organization. It is not necessary for an association or group to specify whether the organization it is nominating should be considered for these responsibilities.

Summary

1. Nominations must be by associations or groups.

2. Nominations on behalf of hospitals and home health agencies should be made *before January 1, 1966*, if possible.
3. Nominations on behalf of extended care facilities should be made *before July 1, 1966*, if possible.
4. Nomination letters should fully identify the intermediary being nominated and include certain basic information about the group or association membership.
5. Nominations need not be binding on all members. However, the required notification to the Administration by a provider who does not wish to be bound by the nomination made on its behalf should not be submitted until it is advised that it is a participating provider and until it is informed of the approval of the intermediary nominated by its association or group. Earlier action may, of course, be taken by a member of an association or group, as well as by a provider who is not a member, where the provider wishes to join in group action with other providers for the purpose of making a nomination. Such a nomination should be submitted within the indicated time schedules, if possible.
6. Not all nominated intermediaries will necessarily be selected.
7. Although other functions may be assigned, the primary function of selected fiscal intermediaries will be to determine the reasonable costs of services furnished by participating providers and to make proper payments. In determining reasonable costs, both the Social Security Administration and the fiscal intermediary will apply the national reimbursement principles being developed by the Administration. Thus, in nominating a fiscal intermediary, an association or group is not selecting that organization's reimbursement methods, but is only designating an intermediary to apply the Administration's reimbursement principles and to administer day-to-day claims activities.

For Further Information

For further information about the nomination process, you may get in touch with the nearest Health Insurance Regional Representative shown below:

Atlanta

Regional Representative
Bureau of Health Insurance
Social Security Administration
Room 404, 50 Seventh Street, NE
Atlanta, Georgia 30323

Boston

Regional Representative
Bureau of Health Insurance
Social Security Administration
120 Boylston Street
Boston, Massachusetts 02116

Charlottesville

Regional Representative
Bureau of Health Insurance
Social Security Administration
700 East Jefferson Street
Charlottesville, Virginia 22901

Chicago

Regional Representative
Bureau of Health Insurance
Social Security Administration
Room 712
433 West Van Buren Street
Chicago, Illinois 60607

Denver

Regional Representative
Bureau of Health Insurance
Social Security Administration
19th and Stout Street
Denver, Colorado 80202

Dallas

Regional Representative
Bureau of Health Insurance
Social Security Administration
1114 Commerce Street
Dallas, Texas 75202

Kansas City

Regional Representative
Bureau of Health Insurance
Social Security Administration
560 Westport Road
Kansas City, Missouri 64111

New York

Regional Representative
Bureau of Health Insurance
Social Security Administration
Room 1000, 42 Broadway
New York, New York 10004

San Francisco

Regional Representative
Bureau of Health Insurance
Social Security Administration
50 Fulton Street
San Francisco, California 94102

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